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INFO RUEHAC/AMEMBASSY ASUNCION 6458  
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RUEHBU/AMEMBASSY BUENOS AIRES 4905  
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RUEHMN/AMEMBASSY MONTEVIDEO 4346  
RUEHQT/AMEMBASSY QUITO 4788  
RUEHSG/AMEMBASSY SANTIAGO 9380  
RHMFIUU/HQ USSOUTHCOM MIAMI FL  
RUMIAAA/USCINCSO MIAMI FL  
RUEHUB/USINT HAVANA 0088  
RHEHNSC/NSC WASHINGTON DC  
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UNCLAS LA PAZ 000104

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TAGS: [ECON](#) [ECPS](#) [EINV](#) [BL](#)  
SUBJECT: GOB ISSUES DECREE TO EXPAND TELECOMS ACCESS

REF: 06 LA PAZ 2770

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Summary  
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¶1. (SBU) The GOB issued a decree aimed at increasing telecommunications coverage on January 1. The decree seeks to increase access to fixed line services, mandates that fixed and mobile service providers must create a new category of service for low-income users, orders cellular operators to provide services nationwide at a unified rate (per company), requires mobile operators to charge equal rates for on and off-network calls, and mandates that all mobile companies provide roaming services as requested. An executive from partially U.S.-owned Nuevatel told Econoff on January 16 that the government's increasing interference in and politicization of the sector and undermining of the independent regulator and free competition worried the company. Nuevatel was also concerned about a second draft decree that would require companies to expand rural services without regard for profitability. However, various provisions of the January 1 decree will benefit Nuevatel vis a vis Entel, the largest player in the cellular market. End summary.

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New Year's Decree  
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¶2. (SBU) The GOB issued a decree aimed at increasing telecommunications coverage on January 1. The decree seeks to increase access to fixed line services -- currently only used by seven percent of the public due to costs of up to USD 1,600 to install a land line -- by dictating that service providers may not demand guarantees and may not require users to purchase shares in telephone cooperatives, which control almost all fixed line services in Bolivia, to access

services. The decree mandated that telecoms companies create a new service category for low-income subscribers, allowing them to only pay for actual calls made, billed to the second, with no fixed monthly or line rental fees. Cellular service providers must create a similar service for low-income subscribers, only charging for actual usage time. Service providers must publish their rates in a transparent fashion outlined in the decree, which will enter into force in March.

13. (SBU) The decree also orders that cellular operators must provide services nationwide, and that rates for calls between cell phones must be the same nationwide, eliminating differentiation between local and long-distance rates. Call rates must not vary depending on which company is used by call recipients, i.e., on-network and off-network calls must cost the same. It further provides that mobile networks must be compatible to ensure nationwide coverage and that all mobile companies must provide roaming services if requested by other companies.

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U.S. Investor Opinion -- The Bad News  
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14. (SBU) Vice President Freddy Maldonado of the partially U.S.-owned telecommunications firm Nuevatel (Trilogy International Partners) told Econoff on January 16 that the GOB's decree worried the company because it demonstrated the government's intentions of regulating tariffs through decrees, which would take power from the independent regulatory body (which the GOB has threatened to eliminate - reftel), and illustrated that the government intends to increase interference in the sector at the expense of free competition. Maldonado was also concerned that the obligation to provide roaming services would decrease investment incentives, because new market entrants could invest little and, if roaming rates were set too low, utilize other companies infrastructure to offer low rates and steal market share. Maldonado was also worried about the GOB's second telecommunications decree, currently in draft form, which would force companies to increase rural services whether or not it was profitable. At the same time, Maldonado complained, the government is considering increasing taxes on telecoms companies and is imposing high fines. He said that the government does not understand business or economics and is formulating sector policies solely on the basis of politics.

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The Good News  
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15. (SBU) Maldonado explained that fixed line cooperatives, and Entel which offers fixed line services, would be harder hit by the decree than Nuevatel, which focuses on mobile services. Various provisions of the decree, including the requirements that on-network and off-network calls have the same rates and that calls nationwide have the same rates, will benefit Nuevatel vis a vis Entel, the largest player in the cellular market. Maldonado also added that the company has no problem with creating a new category of service for low-income users, offering pre-paid cards for fewer minutes at lower prices, as long as the government does not impose a tariff ceiling that would impede the company from structuring the prices in a way that would allow it to profit.

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Comment  
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16. (SBU) Although the decree contained some positive points for Nuevatel, the trend of increasing politicization of the sector and GOB plans to eliminate the independent regulator and force companies to provide unprofitable rural services without government subsidies do not bode well for the future.

End comment.  
GOLDBERG